LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 19, 2009

TO: Honorable David Dewhurst, Lieutenant Governor, Senate

FROM: John S. O'Brien, Director, Legislative Budget Board

IN RE: **SB546** by Fraser (Relating to energy efficiency goals and programs and demand reduction targets; creating an office of energy efficiency deployment in the state energy conservation office.), **As Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for SB546, As Passed 2nd House: a negative impact of ($140,660) through the biennium ending August 31, 2011.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2010	($70,330)
2011	($70,330)
2012	$0
2013	$0
2014	$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from *General Revenue Fund* 1	Change in Number of State Employees from FY 2009
2010	($70,330)	1.0
2011	($70,330)	1.0
2012	$0	0.0
2013	$0	0.0
2014	$0	0.0

Fiscal Analysis

The bill would require electric utilities to assist in building an infrastructure of trained and qualified energy service providers to ensure that all customers will have a choice of and access to energy efficiency alternatives, including demand-side renewable energy systems. The bill would amend energy efficiency goals and require electric utilities to create specific programs to facilitate the widespread delivery of energy efficiency and demand-side renewable energy programs.

The bill would require the Public Utility Commission (PUC) to increase its oversight regarding energy efficiency programs, including a requirement for the Electric Reliability Council of Texas (ERCOT) to measure the impact of energy efficiency programs. The bill would require the PUC to determine whether additional programs or measures are appropriate to facilitate demand response, and if so, the PUC would be required to ensure that demand response programs have the opportunity to compete with generation in providing services.

The bill would require the PUC adopt rules regarding additional energy efficiency program goals and to provide oversight.

The bill would amend Chapter 447 of the Government Code to create an Office of Energy Efficiency Deployment within the State Energy Conservation Office (SECO), housed at the Comptroller of Public Accounts. The bill would require the Office of Energy Efficiency Deployment to design and implement a statewide campaign to educate consumers, utilities and public entities about energy efficiency and demand response programs. The bill would authorize the Office of Energy Efficiency Deployment and SECO to enter into professional service contracts for the statewide campaign.

The bill would require the PUC to conduct three studies, funded by electric utilities: (1) a study regarding the feasibility of mechanisms to decouple electric utility revenue and earnings from the amount of electricity consumed by customers; (2) a study regarding the effectiveness of energy-efficiency and demand-response programs; and (3) a study regarding the potential for demand response and load management programs and assessing whether load management programs would achieve a five percent reduction in electric utility peak demand. The bill would require the PUC to submit the studies to the Lieutenant Governor, the Speaker of the House of Representatives, and each committee of the 82nd Legislature that has jurisdiction over electric utilities.

The bill would repeal Section 39.905(b-2), Utilities Code, which required the PUC to conduct a study of energy efficiency for the 80th Legislature, and Section 39.9044, Utilities Code, which requires the PUC to establish a credit trading program to ensure that 50 percent of the electric generation capacity installed after January 1, 2000, other than renewables, uses natural gas.

The bill would require the Energy Systems Laboratory of the Texas A&M System to conduct a study of outdoor lighting used by state agencies, and to submit the studies to the Governor, the Lieutenant Governor, the Speaker of the House of Representatives, and each standing committee of the legislature that has jurisdiction over electric utilities by September 1, 2010.

The bill would prohibit a municipality from imposing a criminal penalty on the seller of real property for not performing an energy audit.

The bill would take effect September 1, 2009.

Methodology

Based on the analysis of the PUC, the bill would have a significant impact on the agency. The bill would increase the complexity of the energy-efficiency program and increase PUC oversight. The PUC would need to conduct a major rulemaking to change the energy-efficiency rules and the demand-response programs. The agency also anticipates increased oversight activities to assess whether the energy-efficiency goals are met, to design new demand-response and load management programs if the goals are not met, to evaluate and design energy-efficiency and demand-response programs, and to oversee program implementation by Retail Electric Providers and energy service companies. Based on the analysis of the PUC, it is assumed that the agency would need an additional 1.0 FTE to assist in the oversight activities and completion of the studies required by the bill.

The Comptroller of Public Accounts anticipates any additional work resulting from the passage of the bill could be reasonably absorbed within current resources.

Based on the analysis of the Energy Systems Laboratory of the Texas A&M System, it is assumed that the agency could abosorb the costs associated with the bill within current resources.

Local Government Impact

If a municipality currently imposes a criminal penalty on the seller of real property for not performing an energy audit, the municipality would experience a fiscal impact that would include a savings from the costs associated with prosecution and a revenue loss from any fines that would otherwise be imposed. The fiscal impact would depend on the number of penalties that would otherwise be imposed, but is not expected to be significant. There would be no fiscal impact to a municipality that does not already impose a criminal penalty.

Source Agencies: 304 Comptroller of Public Accounts, 473 Public Utility Commission of Texas, 712 Texas Engineering Experiment Station

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